GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:348
ANSWERED ON:14.08.2003
IRRECOVERABLE TAX
PRABHA RAU;VILAS BABURAO MUTTEMWAR

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government have decided not to compensate the domestic Oil Companies for any irrecoverable tax even if the rate of existing irrecoverable tax has been enhanced after April, 2002;

(b) the existing provision of compensating the companies in this regard;

(c) the total amount paid by the Government to the domestic oil companies on this account during the last three years;

(d) whether the oil companies have agreed to the decision of the Government in this regard; and

(e) the manner in which the loss to be suffered by the domestic oil companies on account of the irrecoverable tax is to be met by them?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI RAM NAIK)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO.348 BY SHR PRABHA RAU AND SHRI VILAS MUTTEMWAR TO BE ANSWERED ON 14TH AUGUST, 2003 REGARDING IRRECOVE TAX

(a) to (e): Under `The Irrecoverable Taxes Compensation Scheme, 2002`, notified by the Government on 16th January 2003 for compensating the oil companies for irrecoverable taxes, compensation is provided for:

(i) tax on the entry of crude oil in a local area including octroi, net of set off available, if any; and

(ii) tax on inter-company sale transactions for moving petroleum products of domestic refineries inter state namely central sales tax (CST) and purchase tax being levied immediately prior to 1st April 2002, as stated in the Annexure, and at rates not exceeding the rates given in the Annexure.

This scheme was operative for the year 2002-03, and the Government is examining extension of the same for the year 2003-04.

During the year 2002-03, an amount of Rs.502.63 crore was spent under aforesaid scheme for compensating the oil companies. Before 1st April 2002, the oil companies used to get compensated for their under-recoveries on account of irrecoverable taxes through the `Oil Pool Account Mechanism` under the Administered Pricing Mechanism.

The oil companies participating in the aforesaid scheme have given undertaking that they will abide by the terms and conditions of the scheme.

ANNEXURE

Irrecoverable taxes applicable to refineries/refinery despatches eligible for compensation under `The Irrecoverable Taxes Compensation Scheme, 2002`.

Refinery Name	Crude	Products
	Entry Tax Octroi %	CST/Purchase Tax # %
IOCL		
1 Panipat	4.00	4.00
2 Mathura	3.00	4.00

3 Koyali 4.00
4 Haldia 4.00
5 Barauni 2.00 4.00
6 Guwahati 4.00
7 Digboi 4.00

IOCL Subsidiaries

8 Bongaigaon (BRPL) 4.00
9 Chennai (CPCL) 4.00
10 Narimanam (CPCL) 4.00

HPCL

11 Mumbai 2.25 4.00
12 Visakh 4.00
HPCL Joint Venture
13 Mangalore (MRPL) 2.00 4.00

BPCL

14 Mumbai 2.25 4.00

BPCL Subsidiaries

15 Kochi (KRL) 4.00
16 Numaligarh (NRL) 4.00

RPL

17 Jamnagar 4.00

Purchase tax will be considered for reimbursement upto 4%.

Note:

Compensation under the scheme shall be limited to the under-recoveries arising from the taxes and at rates not exceeding the rates given in this table. In case of CST under-recoveries incurred at the tap off points/depots, the same would be compensated provided the product has not incurred under-recoveries at the time of despatch from refineries.